

Bob Bischoff

Indiana State Representative, District 68

How did we get here?

A brief history of Indiana's finances

Gov. Frank O'Bannon called a special legislative session this year to deal with escalating problems in the state budget. Indiana used to have a budget surplus. What has changed?

After the longest economic expansion on record in the 1990s, Indiana's coffers were full to overflowing. Legislators opted to cut taxes rather than keep such a large surplus, and returned over \$1.5 billion in taxes since 1996. Those cuts aided homeowners, renters, the working poor, senior citizens, and others in our state.

By January of 2000, though, the national economy was slowing. Within a few months

it was clear that our country's finances were taking a turn for the

Imagine if your paycheck was 14% smaller this month.

worse. With Medicaid spending on the rise, forty-four other states faced budget shortfalls this year due to the national recession. Last July Gov. O'Bannon ordered \$113 million in one-time cuts in an effort to address the growing budget deficit.

The terrorist attacks last September only exacerbated the situation. Consumers spent less. Business slowed, cutting production and cutting jobs. That meant less money flowed into the state accounts from sales taxes, individual and corporate income taxes.

In May of this year, Indiana revenue collections were 14.7 percent below expectation. Imagine if your paycheck was 14 percent smaller this month. You would find ways to cut back, and then you would re-evaluate your situation.

Gov. O'Bannon made a total of \$949 million in spending cuts in Fiscal Year 02, but our state was still in the red. The legislature met to re-evaluate. House Bill 1001 is the result.

Special session ends

Bischoff cannot support tax, budget plan; votes no



Summer, 2002

Dear Friend:

While you may have heard in the news about the passage of House Bill 1001 and the end of the 2002

Special Session, I must

tell you that I voted "no" on the bill and that I continue to have serious problems with it.

If I had to identify something positive that came out of the special session, it would be the fact that it gave citizens the chance to inform me of their positions on tax restructuring and the wide range of issues associated with the state budget. What I heard loud and clear during the special session helped me cast my final no vote on June 22.

I voted against HB 1001 because of the negative impact it will have on the tobacco growers in our district. The 40¢ increase in cigarette taxes, bringing the total taxes to 55.5¢ per pack, will be devastating for many reasons.

The cigarette tax increase could easily eliminate this crucial cash crop for the farmers who rely on it in Franklin, Dearborn, Ripley, Ohio and Switzerland Counties. The cigarette vendors in Indiana will lose sales to Kentucky, where the cigarette tax is only 3¢ per pack. As more people travel to Kentucky to buy cigarettes, sales as a whole will decrease—the people who cross the border to buy cigarettes will also fill up their tanks and pick up the odds and ends that they otherwise would have purchased here.

Not everything about HB 1001 is bad. I am pleased that local units of government and foundations will not receive any less in riverboat gaming funds than



Rep. Bischoff discusses legislation with Rep. Markt Lytle (D-Madison).

they received in 2002. The gaming funds can be used for local projects and roads.

HB 1001 incorporated a poor approach to the long-term fiscal problem. We cannot be certain that it will provide all of the funding necessary to prevent teacher layoffs and cuts in public safety funding past the end of the current budget year.

I believe that the solutions touted in this bill are so temporary that they might as well not exist at all. If things do not improve for Indiana's economy, the Indiana General Assembly will be back here in January talking about many of the very same issues.

I voted against the final version of HB 1001 because I sincerely felt we could do much better: better for Indiana farmers, for workers, for homeowners, and for education.

I look forward to hearing your comments and concerns about state government.

Sincerely,

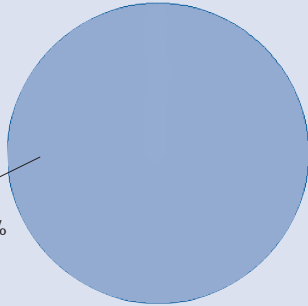
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Distribution of the new tax increases

Sales tax

1% increase effective 12/1/02

Property tax replacement, 100%



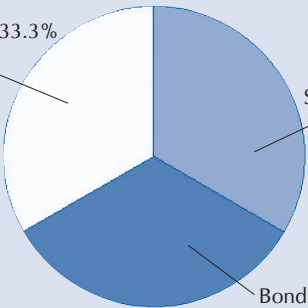
Gas tax

3 cent increase effective 1/1/03

Local government, 33.3%

State highways, 33.3%

Bonding for INDOT projects, 33.3%



Cigarette tax

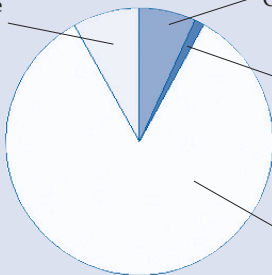
40 cent per pack increase effective 7/1/02

Police and Fire Pension Relief Fund, 9%

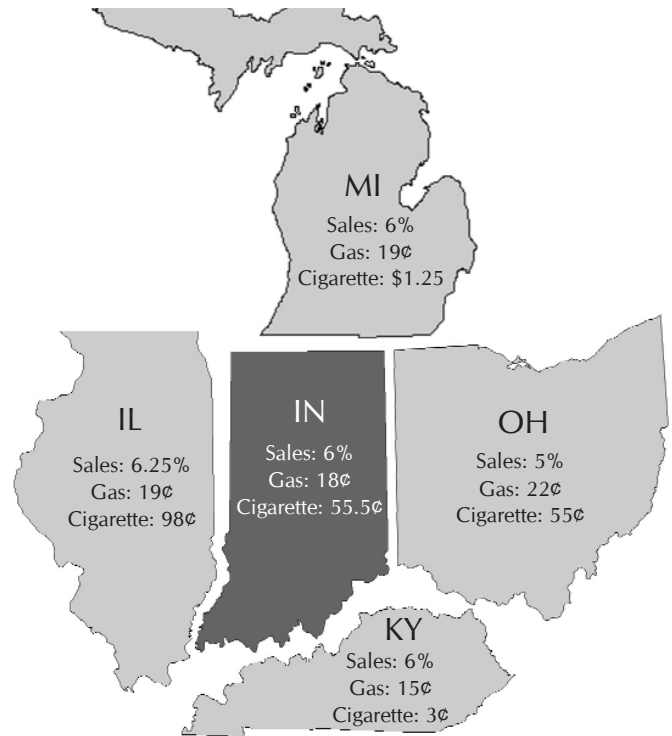
Cigarette Tax Fund, 6%

Mental Health Centers Fund, 1%

State General Fund, 84%



How does Indiana rank with its neighbors?



Data from the Federation of Tax Administrators

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